

JPMorgan Chase Bank, N.A.  
c/o JPMorgan Treasury Services  
Global Trade Services  
10420 Highland Manor Drive  
Tampa, FL 33610

CCRY  
Posted: L. Duke  
Dept: SA-016  
Date: 12.21.06  
Time: 10:45

RECEIVED  
2006 DEC 21 AM 10:23  
DEC 20, 2006  
OUR L/C NO.: CTCS-294197

TO:  
PUBLIC SERVICE COMMISSION OF SOUTH  
CAROLINA  
101 EXECUTIVE CENTER DRIVE  
SUITE 100  
COLUMBIA, SC 29210

APPLICANT:  
CAROLINA WATER SERVICE, INC.  
C/O UTILITIES, INC.  
2335 SANDERS ROAD  
NORTHBROOK, IL 60062

WE HAVE ESTABLISHED OUR IRREVOCABLE STANDBY LETTER OF CREDIT IN YOUR FAVOR  
AS DETAILED HEREIN SUBJECT TO ISP98

DOCUMENTARY CREDIT NUMBER: CTCS-XXXXXXXXXX

DATE OF ISSUE: DECEMBER 20, 2006

BENEFICIARY: PUBLIC SERVICE COMMISSION OF SOUTH  
CAROLINA  
101 EXECUTIVE CENTER DRIVE  
SUITE 100  
COLUMBIA, SC 29210

APPLICANT: CAROLINA WATER SERVICE, INC.  
C/O UTILITIES, INC.  
2335 SANDERS ROAD  
NORTHBROOK, IL 60062


DATE AND PLACE OF EXPIRY: JANUARY 31, 2008  
AT OUR COUNTER

DOCUMENTARY CREDIT AMOUNT: USD700,000.00



AVAILABLE WITH: JPMORGAN CHASE BANK, N.A.  
CHICAGO, IL  
BY PAYMENT

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT SHALL BE AUTOMATICALLY

JPMorgan Chase Bank, N.A.  
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DEC 20, 2006  
OUR L/C NO.: CTCS-

EXTENDED WITHOUT AMENDMENT FOR ADDITIONAL 12 MONTH PERIODS FROM THE PRESENT OR EACH FUTURE EXPIRATION DATE, UNLESS AT LEAST 60 DAYS PRIOR TO THE CURRENT EXPIRY DATE WE SEND NOTICE IN WRITING TO YOU VIA SWIFT, TELEX, OR HAND DELIVERY AT THE ABOVE ADDRESS, THAT WE ELECT NOT TO AUTOMATICALLY EXTEND THIS LETTER OF CREDIT FOR ANY ADDITIONAL PERIOD. UPON SUCH NOTICE TO YOU, YOU MAY DRAW ON US AT SIGHT FOR AN AMOUNT NOT TO EXCEED THE BALANCE REMAINING IN THIS LETTER OF CREDIT WITHIN THE THEN-APPLICABLE EXPIRY DATE, BY YOUR SWIFT OR PRESENTATION OF YOUR DRAFT AND DATED STATEMENT PURPORTEDLY SIGNED BY ONE OF YOUR OFFICIALS READING EXACTLY AS FOLLOWS:

THE AMOUNT OF THIS DRAWING USD ..... UNDER JPMORGAN CHASE BANK, N.A. LETTER OF CREDIT NUMBER CTCS- REPRESENTS FUNDS DUE US AS WE HAVE RECEIVED NOTICE FROM JPMORGAN CHASE BANK, N.A. OF THEIR DECISION NOT TO AUTOMATICALLY EXTEND LETTER OF CREDIT NUMBER CTCS- AND THE UNDERLYING OBLIGATION REMAINS OUTSTANDING.

IN THE EVENT THIS LETTER OF CREDIT IS SUBSEQUENTLY AMENDED BY US TO RESCIND A NOTICE OF NON-EXTENSION AND TO EXTEND THE EXPIRY DATE HEREOF TO A FUTURE DATE, SUCH EXTENSION SHALL BE FOR THAT SINGLE PERIOD ONLY AND THIS LETTER OF CREDIT WILL NOT BE SUBJECT TO ANY FUTURE AUTOMATIC EXTENSIONS UNLESS AN AUTOMATIC EXTENSION PROVISION IS EXPRESSLY INCORPORATED INTO SUCH AMENDMENT.

A COPY OF OUR NOTICE THAT THE LETTER OF CREDIT WILL NOT BE AUTOMATICALLY EXTENDED WILL ALSO BE SENT TO:

UTILITIES, INC.  
2335 SANDERS ROAD  
NORTHBROOK, IL 60062

CAROLINA WATER SERVICE, INC.  
C/O UTILITIES, INC.  
2335 SANDERS ROAD  
NORTHBROOK, IL 60062

ADDITIONAL DETAILS:

JPMorgan Chase Bank, N.A.  
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Global Trade Services  
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DEC 20, 2006  
OUR L/C NO.: CTCS-294197

LADIES AND GENTLEMEN:

WE HEREBY ISSUE IN YOUR FAVOR OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO: CTCS-[REDACTED] FOR THE ACCOUNT OF CAROLINA WATER SERVICE, INC., C/O UTILITIES, INC FOR AN AMOUNT OR AMOUNTS NOT TO EXCEED IN THE AGGREGATE U.S.\$700,000.00 (SEVEN HUNDRED THOUSAND AND 00/100 U.S. DOLLARS) AVAILABLE BY YOUR DRAFTS AT SIGHT ON JPMORGAN CHASE BANK, N.A., CHICAGO, IL EFFECTIVE IMMEDIATELY AND EXPIRING AT OUR OFFICE ON JANUARY 31, 2008.

FUNDS UNDER THIS CREDIT ARE AVAILABLE AGAINST YOUR DRAFT(S) AS HEREIN ABOVE SET FORTH MARKED "DRAWN UNDER JPMORGAN CHASE BANK, N.A. LETTER OF CREDIT NO. CTCS-294197" AND ACCOMPANIED BY THE FOLLOWING:

BENEFICIARY'S DATED STATEMENT SIGNED BY AN AUTHORIZED OFFICIAL (SIGNED AS SUCH) READING:

"CAROLINA WATER SERVICE, INC., C/O UTILITIES, INC. HAS FAILED TO COMPLY WITH THE TERMS OF THE AGREEMENT COVERING WATER SERVICE, THEREFORE, PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA IS ENTITLED TO DRAW UNDER LETTER OF CREDIT NO. CTCS-[REDACTED] IN THE AMOUNT OF U.S.\$\_\_\_\_\_."

WE ENGAGE WITH YOU THAT DRAFTS DRAWN UNDER AND IN CONFORMITY WITH THE TERMS AND CONDITIONS OF THIS CREDIT WILL BE DULY HONORED ON PRESENTATION IF PRESENTED ON OR BEFORE THE EXPIRATION AT OUR COUNTERS AT 300 SOUTH RIVERSIDE PLAZA, MAIL CODE IL1-0236, ATTN: STANDBY LETTER OF CREDIT UNIT, CHICAGO, IL 60606-0236. THE ORIGINAL LETTER OF CREDIT MUST ACCOMPANY THE DOCUMENTS REQUIRED UNDER THIS CREDIT FOR ENDORSEMENT

THIS LETTER OF CREDIT MAY BE CANCELLED PRIOR TO EXPIRATION PROVIDED THE ORIGINAL LETTER OF CREDIT (AND AMENDMENTS, IF ANY) ARE RETURNED TO JPMORGAN CHASE BANK, N.A., AT OUR ADDRESS AS INDICATED HEREIN, WITH A STATEMENT SIGNED BY THE BENEFICIARY STATING THAT THE ATTACHED LETTER OF CREDIT IS NO LONGER REQUIRED AND IS BEING RETURNED TO THE ISSUING BANK FOR CANCELLATION.

THIS LETTER OF CREDIT IS GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AND, EXCEPT AS OTHERWISE EXPRESSLY STATED



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HEREIN, TO THE INTERNATIONAL STANDBY PRACTICES, ICC PUBLICATION NO. 590 (THE "ISP98"), AND IN THE EVENT OF ANY CONFLICT, THE LAWS OF THE STATE OF NEW YORK WILL CONTROL, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

PLEASE ADDRESS ALL CORRESPONDENCE REGARDING THIS LETTER OF CREDIT TO THE ATTENTION OF THE STANDBY LETTER OF CREDIT UNIT, 300 S. RIVERSIDE PLAZA, MAIL CODE IL1-0236, CHICAGO, IL 60606-0236, INCLUDING THE LETTER OF CREDIT NUMBER MENTIONED ABOVE. FOR TELEPHONE ASSISTANCE, PLEASE CONTACT THE STANDBY CLIENT SERVICE UNIT AT 1-800-634-1969, SELECT OPTION 1, AND HAVE THIS LETTER OF CREDIT NUMBER AVAILABLE.

Leotto M White

**AUTHORIZED SIGNATURE**